



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
CASEY COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 1998

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Sarah Jane Schaaf, Secretary, Revenue Cabinet

Honorable Ronald D. Wright, County Judge/Executive

Honorable David H. Johnson, Former County Judge/Executive

Members of the Casey County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Casey County, Kentucky, as of June 30, 1998, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Casey County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Casey County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Casey County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 1998, in conformity with the cash basis of accounting described above.

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

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Our audit was performed for the purpose of forming an opinion on the financial statements of Casey County, Kentucky, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. The information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying Findings and Questioned Costs, included herein, which discusses the following areas of noncompliance:

- The County Should Have A Written Agreement To Protect Deposits
- The County Should Budget All Expected Receipts And Expenditures
- The Community Development Block Grant Fund Should Be Included In The County's Financial Statements
- Road and Bridge Fund Money Transferred To The General Fund Should Be Returned
- Jail Renovation Money Of \$211,625 Was Improperly Transferred For Cash Flow Purposes

In accordance with Government Auditing Standards, we have also issued our report dated May 27, 1999, on our consideration of Casey County, Kentucky's compliance with certain provisions of laws, regulations, contracts, grants, and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -
May 27, 1999

CASEY COUNTY OFFICIALS

Fiscal Year Ended June 30, 1998

David H. Johnson	County Judge/Executive
Thomas M. Weddle	County Attorney
Eva S. Miller	County Clerk
Nina R. Overstreet	Circuit Court Clerk
Robert M. Weddle	Sheriff
Tommy Miller	Jailer
Johnny Beard, Jr.	Property Valuation Administrator
Tony M. Price	County Treasurer
J. C. Atwood	Coroner
Jeffery L. Thomas	Magistrate
Rufus Shoopman	Magistrate
Paul Leon Wesley	Magistrate
William Thompson	Magistrate

STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

CASEY COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 1998

Assets

General Fund:

Cash \$ 541,414

Road and Bridge Fund:

Cash 138,458

Jail Fund:

Cash 721

Jail Commissary Fund:

Cash 1,347

Local Government Economic Assistance Fund:

Cash 8,887

Juvenile Justice Center Fund:

Cash 491

Investments 143,906

Community Development Block Grant Fund:

Cash 940

Payroll Revolving Account - Cash

918

Total Assets

\$ 837,082

Liabilities and Fund Balances

Liabilities

Payroll Revolving Account

\$ 918

Fund Balances

Reserved:

Jail Commissary Fund 1,347

Juvenile Justice Center Fund 144,397

Community Development Block Grant Fund 940

Unreserved:

General Fund 541,414

Road and Bridge Fund 138,458

Jail Fund 721

Local Government Economic Assistance Fund 8,887

Total Liabilities and Fund Balances

\$ 837,082

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

CASEY COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 1998

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 3,242,922	\$ 1,040,163	\$ 1,663,800	\$ 76,002
Transfers In	238,660	20,000		211,450
Borrowed Money	158,660	158,660		
Kentucky Advance Revenue Program	614,555	326,750	287,805	
Prior Year Voided Checks	214	100	10	104
Jail Commissary Fund Receipts	400			
Total Cash Receipts	<u>\$ 4,255,411</u>	<u>\$ 1,545,673</u>	<u>\$ 1,951,615</u>	<u>\$ 287,556</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 2,400,078	\$ 366,771	\$ 1,731,564	\$ 288,309
Schedule of Unbudgeted Expenditures	450,186			
Transfers Out	238,660	198,660	20,000	
Borrowed Money Repaid	158,660	158,660		
Kentucky Advance Revenue Program Repaid	614,555	326,750	287,805	
Jail Commissary Fund Expenditures	1,318			
Total Cash Disbursements	<u>\$ 3,863,457</u>	<u>\$ 1,050,841</u>	<u>\$ 2,039,369</u>	<u>\$ 288,309</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 391,954	\$ 494,832	\$ (87,754)	\$ (753)
Cash Balance - July 1, 1997	<u>444,210</u>	<u>46,582</u>	<u>226,212</u>	<u>1,474</u>
Cash Balance - June 30, 1998	<u><u>\$ 836,164</u></u>	<u><u>\$ 541,414</u></u>	<u><u>\$ 138,458</u></u>	<u><u>\$ 721</u></u>

The accompanying notes are an integral part of the financial statements.

CASEY COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
Fiscal Year Ended June 30, 1998
(Continued)

Jail Commissary Fund	Local Government Economic Assistance Fund	Juvenile Justice Center Fund	Community Development Block Grant Fund
\$	\$ 10,001 7,210	\$ 1,830	\$ 451,126
400			
\$ 400	\$ 17,211	\$ 1,830	\$ 451,126
\$	\$ 13,434	\$ 20,000	\$ 450,186
1,318			
\$ 1,318	\$ 13,434	\$ 20,000	\$ 450,186
\$ (918) 2,265	\$ 3,777 5,110	\$ (18,170) 162,567	\$ 940 0
\$ 1,347	\$ 8,887	\$ 144,397	\$ 940

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 1998

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Casey County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Jail Commissary as part of the reporting entity.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

C. Basis of Accounting

The financial statements were prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

D. Legal Compliance - Budget

The Casey County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

Note 1. (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, East Casey County Water District is considered a related organization of Casey County Fiscal Court.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent. Hazardous covered employees are required to contribute 7 percent of their salary to the plan. The county's contribution rate for hazardous employees was 18.21 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

CASEY COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 1998
 (Continued)

Note 3. Deposits

The county maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The depository institution has made such a pledge, and the depository institution's board of directors or loan committee approved the pledge. However, the depository institution did not have a written agreement with the county.

Note 4. Lease-Purchase Agreement

The county has entered into the following lease-purchase agreement:

Items Purchased	Annual Payment	Term of Agreement	Ending Date	Principal Balance June 30, 1998
16 Voting Machines	\$ 30,075	3 Years	July 5, 2000	<u>\$ 81,055</u>

Note 5. Pending Civil Actions

- A. A former jail employee filed a civil action against Casey County in the United States District Court for the Western District of Kentucky which involves "wrongful discharge" of employment. The United States District Court has entered a judgment in favor of Casey County, but this judgment has been appealed.
- B. On September 27, 1997, a civil action was filed in Casey Circuit Court contesting the validity of the occupational tax that was enacted for July 1, 1997 through June 30, 1998. It is unlikely this action will be resolved quickly.
- C. On May 6, 1999, a complaint was filed in Casey Circuit Court against the Casey County Airport Board, which was created by the Casey County Fiscal Court, alleging wrongful trespass and conversion of timber.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

Note 6. Insurance

For the fiscal year ended June 30, 1998, Casey County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 7. HB 379 Jail Renovation Appropriation

In August 1996, the county received \$400,000 as appropriated in HB 379 to be used for jail renovations. During fiscal year ended June 30, 1997, the fiscal court transferred \$102,625 to the Jail Fund for cash flow to pay outstanding liabilities of that fund and \$89,000 to the General Fund for cash flow purposes. During fiscal year ended June 30, 1998, the fiscal court transferred an additional \$20,000 to the Jail Fund for cash flow purposes.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

CASEY COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 1998

<u>Budgeted Funds</u>	Budgeted Operating Revenue	Actual Operating Revenue	Over (Under) Budget
General Fund	\$ 571,545	\$ 1,040,163	\$ 468,618
Road and Bridge Fund	1,570,619	1,663,800	93,181
Jail Fund	554,183	76,002	(478,181)
Local Government Economic Assistance Fund	5,762	10,001	4,239
Totals	<u>\$ 2,702,109</u>	<u>\$ 2,789,966</u>	<u>\$ 87,857</u>

Reconciliation

Total Budgeted Operating Revenue Above	\$ 2,702,109
Add: Budgeted Prior Year Surplus	310,000
Less: Other Financing Uses	<u>(34,000)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures	<u>\$ 2,978,109</u>

SCHEDULE OF OPERATING REVENUE

CASEY COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 1998

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Revenue From Local Taxes</u> <u>and Excess Fees</u>				
Sheriff:				
Taxes	\$ 199,504	\$ 199,504	\$	\$
County Clerk:				
Deed Transfer Tax	13,163	13,163		
Occupational Licenses	430	430		
Delinquent Taxes	2,862	2,862		
Excess Fees - 1997	65,000	65,000		
Tangible Personal Property Taxes:				
Other Counties	1,032	1,032		
County Clerk	42,174	42,174		
Omitted Tangible	1,045	1,045		
Cellular One Franchise	4,391	4,391		
Occupational Employment Tax	617,154	617,154		
Totals	\$ 946,755	\$ 946,755	\$ 0	\$ 0
<u>Federal Receipts - State Treasurer</u>				
Disaster and Emergency Assistance				
Grants - Coordinator Salary	\$ 999	\$ 999	\$	\$
Community Development Block				
Grants - Windsor/Rocky Ford				
Water Expansion Project	451,126			
Federal Disaster and Emergency				
Services/Emergency Management				
Agency Reimbursements-				
1995 Severe Weather	63,343	1,096	62,247	
1997 Severe Weather	1,545	1,545		
1998 Snow Removal	37,019		37,019	
Totals	\$ 554,032	\$ 3,640	\$ 99,266	\$ 0

CASEY COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Kentucky State Treasurer</u>				
Jail:				
Allotments	\$ 36,157	\$	\$	\$ 36,157
Medical Allotments	10,740			10,740
Driving Under The Influence Fees	5,070			5,070
Juvenile Reimbursement	15,103			15,103
County Road Aid	779,077		779,077	
Emergency Road Aid	341,225		341,225	
Rural Secondary Road Aid	191,916		191,916	
Truck License Distribution	151,651		151,651	
Courthouse Rental - Administrative				
Office of the Courts	28,594	28,594		
Refunds:				
Legal Process Tax	91	91		
Drivers License	1,397		1,397	
Dog License	103	103		
Severance Taxes:				
Mineral	9,738			
Board of Assessments	200	200		
Grants:				
Disaster and Emergency				
Assistance Grants -				
Coordinator Salary	666	666		
1995 Severe Weather	55,969		55,969	
Totals	\$ 1,627,697	\$ 29,654	\$ 1,521,235	\$ 67,070

CASEY COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

Local		
Government	Juvenile	Community
Economic	Justice	Development
Assistance	Center	Block Grant
<u>Fund</u>	<u>Fund</u>	<u>Fund</u>

\$

\$

\$

9,738

<u>\$</u>	<u>9,738</u>	<u>\$</u>	<u>0</u>	<u>\$</u>	<u>0</u>
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CASEY COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Miscellaneous Revenue</u>				
Interest	\$ 33,806	\$ 16,598	\$ 15,096	\$ 119
Circuit Court Clerk:				
Jail Cost	5,075			5,075
Work Release	2,142			2,142
Home Incarceration	345			345
Bail Bond Fees	270			270
Medical	300			300
County Attorney	112	112		
Dog Tag Sales	173	173		
Licenses and Permits:				
Solid Waste Franchise	11,062	11,062		
Cable T.V. Franchise	6,168	6,168		
Uniform Rental	789		789	
Surplus Equipment Sales	21,216		21,216	
Reimbursements	10,143	3,945	6,198	
Insurance Proceeds	927	927		
Telephone Commissions	59	59		
Clinic Building	19,200	19,200		
Recycling Fees	1,841	1,841		
Miscellaneous Items	810	29		681
Totals	\$ 114,438	\$ 60,114	\$ 43,299	\$ 8,932
Total Operating Revenue	\$ 3,242,922	\$ 1,040,163	\$ 1,663,800	\$ 76,002

CASEY COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

Local		
Government	Juvenile	Community
Economic	Justice	Development
Assistance	Center	Block Grant
<u>Fund</u>	<u>Fund</u>	<u>Fund</u>

\$	163	\$	1,830	\$
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<u>100</u>		
\$ 263	\$ 1,830	\$ 0
<u>\$ 10,001</u>	<u>\$ 1,830</u>	<u>\$ 451,126</u>

COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

CASEY COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1998

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>GENERAL FUND</u>			
<u>General Government</u>			
Office of County Judge/Executive:			
Salaries-			
County Judge/Executive	\$ 19,494	\$ 19,323	\$ 171
Deputy County Judge/Executive	527		527
Secretaries	15,110	7,286	7,824
Advertising	725	11	714
Office Materials and Supplies	825	626	199
Telephone	1,107	1,107	
Office of County Attorney:			
Salaries-			
County Attorney	6,037	3,927	2,110
Secretary	14,560	5,846	8,714
Space Rental	4,275	3,046	1,229
Office Materials and Supplies	875		875
Telephone	875	271	604
Office of Sheriff:			
Salaries-			
Deputies	14,600	4,000	10,600
Dispatchers	22,000	13,122	8,878
Office Supplies	3,150	3,116	34
Gasoline	1,900	1,900	
Bond	508	508	
Telephone	1,900	1,366	534
Communication Equipment	800		800
Office of County Coroner:			
Salaries-			
County Coroner	5,812	5,774	38
Deputy Coroner	2,116	2,058	58
Expenses	2,200	2,000	200
Fiscal Court:			
Magistrates Salaries	15,517	11,305	4,212

CASEY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>General Government (Continued)</u>			
Office of Property Valuation Administrator:			
Statutory Contribution	\$ 13,065	\$ 13,065	\$
Office of Board of Assessment Appeals:			
Per Diem	800	800	
Office of County Treasurer:			
County Treasurer Salary	2,818	2,818	
Office of Tax Administration:			
Occupational Tax Administrator	50,000	27,424	22,576
Office of Circuit Court Clerk:			
Law Librarian Salary	1,200	1,200	
Elections:			
Per Diem-			
Election Commissioners	1,580	1,560	20
Election Officers	8,500	4,669	3,831
Printing and Advertising	7,125		7,125
Voting Machine Preparation	1,425		1,425
Rentals and Polling Places	2,375	1,429	946
Miscellaneous Expense	475	145	330
Courthouse:			
Janitor Salary	20,000	16,446	3,554
Custodial Supplies	766	765	1
Renewals and Repairs	16,770	11,782	4,988
Utilities	16,625	15,313	1,312
<u>Protection to Persons and Property</u>			
Disaster and Emergency Services:			
Director Salary	3,560	3,560	
Office Supplies	125	42	83
Fire Department	24,000		24,000
Rescue Squad	5,000		5,000

CASEY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>Protection to Persons and Property</u> (Continued)			
Ambulance Service:			
Grant	\$ 18,390	\$ 18,390	\$
Forestry Fire Protection:			
Kentucky State Treasurer	3,100	2,960	140
Office of Public Advocacy:			
Contribution	1,777		1,777
<u>General Health and Sanitation</u>			
Dog Control:			
Dog Warden Salary	4,500	4,500	
Contract with Other Counties	570		570
Dog Tag Fees	200	171	29
Miscellaneous	500	143	357
Solid Waste Collection:			
Coordinator's Salary	7,875	7,875	
Solid Waste Collection	2,000		2,000
Gasoline	1,500		1,500
Office Supplies	500	85	415
<u>Social Services</u>			
Senior Citizens Program:			
Contribution	3,649		3,649
<u>Recreation and Culture</u>			
Parks:			
General Services	10,000		10,000

CASEY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>Debt Service</u>			
Borrowed Money and Kentucky Advance Revenue Program:			
Interest	\$ 5,604	\$ 11,598	\$ (5,994)
<u>Administration</u>			
General Service:			
Audits	12,984	12,984	
Insurance Expense	29,875	29,875	
Dues	3,913	3,654	259
LCADD Dues	1,964	1,964	
KACO Dues	1,800	1,800	
Office Equipment	4,168	3,950	218
Miscellaneous	10,643	10,644	(1)
Contingent Appropriations:			
Reserve for Transfers	4,260		4,260
Fringe Benefits:			
County Contributions-			
Social Security	30,063	25,066	4,997
Retirement	36,695	36,695	
Worker's Compensation	5,221	5,221	
Unemployment Insurance	15,000	1,586	13,414
Total Operating Budget	\$ 527,873	\$ 366,771	\$ 161,102
Other Financing Uses:			
*Borrowed Money			
Principal	32,810	158,660	(125,850)
**Kentucky Advance Revenue Program:			
Principal	326,750	326,750	
Total General Fund	\$ 887,433	\$ 852,181	\$ 35,252

CASEY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND</u>			
<u>General Government</u>			
Office of County Judge/Executive			
Salaries-			
County Judge/Executive	\$ 27,053	\$ 27,053	\$
Deputy Judge/Executive	1,119		1,119
Secretaries	21,553	21,553	
Advertising	4,560	1,647	2,913
Office Supplies	3,230	3,230	
Bond	211	211	
Telephone	2,033	2,033	
Office of County Attorney:			
Salaries-			
County Attorney	8,004	7,854	150
Secretary	19,300	19,235	65
Office Materials and Supplies	1,454	1,454	
Bond	89	89	
Telephone	1,163	733	430
Fiscal Court:			
Magistrates -			
Salaries	33,964	33,914	50
Bond	400	204	196
Office of County Treasurer:			
County Treasurer Salary	5,635	5,635	
Bond	761	761	
<u>Protection to Persons and Property</u>			
Emergency Dispatch Service:			
Addressing Coordinator	7,800	7,800	
Telephone	500	351	149

CASEY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND (Continued)</u>			
<u>Roads</u>			
Office of Road Supervisor:			
Salaries-			
Road Supervisor	\$ 24,192	\$ 24,042	\$ 150
Secretary	22,558	22,429	129
Road Maintenance:			
Road Workers Salaries	238,719	215,588	23,131
Crushed Stone and Gravel	164,380	164,380	
Diesel Fuel	25,000	24,464	536
Garage Supplies	4,000		4,000
Gasoline	15,000	4,981	10,019
Lubricants	6,000	4,328	1,672
Machinery and Equipment	10,612		10,612
Road Maintenance Supplies	910,813	892,360	18,453
Concrete Pipe	7,500	1,236	6,264
Metal Pipe	32,000	21,033	10,967
Signs	8,000	964	7,036
Tires and Tubes	22,040	18,168	3,872
Uniforms	5,000	3,285	1,715
Office Equipment	9,432	7,643	1,789
<u>Debt Service</u>			
Borrowed Money and Kentucky Advance			
Revenue Program:			
Interest	3,734	6,154	(2,420)
<u>Capital Projects</u>			
Equipment:			
Road Equipment	50,000	44,736	5,264

CASEY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND (Continued)</u>			
<u>Administration</u>			
General Services:			
Audit Expense	\$ 7,500	\$ 1,864	\$ 5,636
Insurance	61,583	61,583	
Telephone	1,200	768	432
Utilities	4,100	1,935	2,165
Maintenance Agreement	5,000		5,000
Miscellaneous Expense	1,000	200	800
Contingent Appropriations:			
Reserve for Budget Transfers	2,798		2,798
Fringe Benefits:			
County Contributions-			
Retirement	35,957	32,799	3,158
Social Security	30,525	28,401	2,124
Worker's Compensation	17,963	11,096	6,867
Unemployment Insurance	15,184	3,370	11,814
Total Operating Budget	\$ 1,880,619	\$ 1,731,564	\$ 149,055
Other Financing Uses:			
**Kentucky Advance			
Revenue Program:			
Principal	251,710	287,805	(36,095)
Total Road and Bridge Fund	\$ 2,132,329	\$ 2,019,369	\$ 112,960

JAIL FUND

Protection to Persons and Property

Office of Jailer:			
Personnel Services-			
Salaries-			
Jailer	\$ 21,175	\$ 21,175	\$
Deputy Jailers	24,641	24,473	168
Chief Deputy Jailer	15,600	15,154	446

CASEY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>JAIL FUND (Continued)</u>			
<u>Protection to Persons and Property</u> (Continued)			
Office of Jailer: (Continued)			
Association Dues	\$ 350	\$ 50	\$ 300
Operations-			
Bond	203	203	
Routine Medical	24,000	7,941	16,059
Pharmaceuticals	16,207	16,207	
Staff Training	302	302	
Telephone	4,000	3,054	946
Contracts With Other			
Counties	174,115	174,115	
Vehicle Expense	7,000	1,042	5,958
Travel	5,822	5,194	628
Utilities	3,300	1,718	1,582
Contracts With Other			
Counties - Juveniles	21,860	7,765	14,095
Transporting Juveniles	1,000		1,000
Pharmaceuticals - Juveniles	1,000		1,000
Miscellaneous Operating Expense	1,000	104	896
Maintenance-			
Renewals and Repairs	7,484	69	7,415
<u>Administration</u>			
General Services:			
Prior Year Claims	215,000		215,000
Fringe Benefits:			
County Contributions-			
Retirement	6,546	5,301	1,245
Social Security	5,578	4,442	1,136
Total Jail Fund	\$ 556,183	\$ 288,309	\$ 267,874

CASEY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</u>			
<u>Protection to Persons and Property</u>			
Emergency Dispatch Service:			
Communication Equipment	\$ 13,434	\$ 13,434	\$ 0
Total Operating Budget - All Funds	\$ 2,978,109	\$ 2,400,078	\$ 578,031
Other Financing Uses:			
*Borrowed Money	32,810	158,660	(125,850)
** Kentucky Advance			
Revenue Program:			
Principal	578,460	614,555	(36,095)
TOTAL BUDGET - ALL FUNDS	\$ 3,589,379	\$ 3,173,293	\$ 416,086

SCHEDULE OF UNBUDGETED EXPENDITURES

CASEY COUNTY
SCHEDULE OF UNBUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1998

<u>Expenditure Items</u>	<u>Community Development Block Grant Fund</u>
Windsor/Rocky Ford Water Expansion Project-	
Engineering Services	\$ 87,341
Waterline Construction	<u>362,845</u>
Total	<u>\$ 450,186</u>

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable Ronald D. Wright, County Judge/Executive
Honorable David H. Johnson, Former County Judge/Executive
Members of the Casey County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Casey County, Kentucky, as of and for the year ended June 30, 1998, and have issued our report thereon dated May 27, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Casey County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying Findings and Questioned Costs.

- The County Should Budget All Expected Receipts and Expenditures
- The Community Development Block Grant Fund Should Be Included In The County's Financial Statements

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Casey County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Ronald D. Wright, County Judge/Executive
Honorable David H. Johnson, Former County Judge/Executive
Members of the Casey County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
May 27, 1999

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Ronald D. Wright, County Judge/Executive
Honorable David H. Johnson, Former County Judge/Executive
Members of the Casey County Fiscal Court

Report On Compliance With Requirements Applicable To Each Major Program
And Internal Control Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Casey County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 1998. Casey County's major federal programs are identified in the Schedule of Expenditures of Federal Awards. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Casey County's management. Our responsibility is to express an opinion on Casey County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Casey County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Casey County's compliance with those requirements.

In our opinion, Casey County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1998.

Honorable Ronald D. Wright, County Judge/Executive
Honorable David H. Johnson, Former County Judge/Executive
Members of the Casey County Fiscal Court
Report On Compliance With Requirements Applicable To Each Major Program
And Internal Control Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance

The management of Casey County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Casey County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed –
May 27, 1999

FINDINGS AND QUESTIONED COSTS

CASEY COUNTY
FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 1998

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Casey County.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instance of noncompliance material to the financial statements of Casey County was disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal award programs for Casey County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Casey County reported in Part C of this Schedule.
7. The program tested as a major program was Community Development Block Grant Program – Windsor/Rocky Ford Water Expansion Project, CFDA 14.228
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Casey County was not determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

None

NONCOMPLIANCES

1) The County Should Have A Written Agreement To Protect Deposits

The county maintained deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). The county had a bank balance of \$854,736; FDIC insurance of \$200,000; and securities pledged of \$2,300,000 as of June 30, 1998. Even though the county obtained pledged securities of \$2,300,000, the pledge was not evidenced by a written agreement. We recommend the county enter into a written agreement with the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. According to federal law, 12 U.S.C.A. § 1823(e), this agreement should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Management's Response:

We are in the process of obtaining a written agreement with Farmers Deposit Bank.

CASEY COUNTY
FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 1998
(Continued)

2) The County Should Budget All Expected Receipts and Expenditures

The Community Development Block Grant Fund received and expended monies for the Windsor/Rocky Ford Water Expansion Project, which were not budgeted. In accordance with KRS 68.220, the county budget should provide for all funds, including those from federal sources, expected to be expended by the county from current revenue for each fiscal year. We recommend the fiscal court include in the county's budget all moneys expected to be received and expended in a fiscal year or utilize budget amendments in accordance with KRS 68.280 which allows for the expenditure of receipts unanticipated in the original budget.

Management's Response:

The current administration is in the process of amending the 1998-1999 budget to reflect CDBG funds received and expended.

3) The Community Development Block Grant Fund Should Be Included In The County's Financial Statements

The Community Development Block Grant Fund for the Windsor/Rocky Ford Water Expansion Project was not included in the County Treasurer's monthly reports or the County Judge/Executive's quarterly reports. During our audit period, the county received \$451,126 and expended \$450,186 of Community Development Block Grant funds which were not included in the county's financial statements as required by KRS 68.360. We recommend compliance with this statute.

Management's Response:

The CDBG Fund will be reflected on FY 98-99 financial statements.

4) Road and Bridge Fund Money Transferred To The General Fund Should Be Returned

In September 1997, the county transferred \$20,000 from the Road and Bridge Fund to the General Fund with the intention of returning the funds to the Road and Bridge Fund when occupational tax revenue was received. As of June 30, 1998, the transfer from the General Fund to the Road and Bridge Fund had not been made. Since these monies are restricted by KRS 47.020, KRS 177.365, KRS 179.415, and KRS 186.535 for road and bridge purposes, we recommend \$20,000 be returned to the Road and Bridge Fund as soon as possible.

Management's Response:

In December 1998, a transfer of occupational tax was transferred to the Road and Bridge Fund from the General Fund.

CASEY COUNTY
FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 1998
(Continued)

5) Jail Renovation Money of \$211,625 Was Improperly Transferred For Cash Flow Purposes

In the prior year audit report, we reported the county received \$400,000 from the state and made a deposit to the Juvenile Justice Center Fund. House Bill 379, of the 1996 legislative session, appropriated these funds for jail renovations. During fiscal year ended June 30, 1997, the county transferred \$102,625 of the Juvenile Justice Center Fund to the Jail Fund to provide cash flow for jail operating expenses and \$89,000 to the General Fund for general operating expenses. During fiscal year ended June 30, 1998, an additional \$20,000 was transferred from the Juvenile Justice Center Fund to the Jail Fund to provide cash flow for jail operating expenses. We recommend \$211,625 be returned to the Juvenile Justice Center Fund for use in jail renovation.

Management's Response:

All funds have been returned to Juvenile Justice Center Fund as of February 1999.

PRIOR YEAR FINDINGS

In the prior year, we reported the county transferred \$191,625 of jail renovation money from the Juvenile Justice Center Fund to the General Fund and Jail Fund for cash flow purposes. These funds should be returned to the Juvenile Justice Center Fund for jail renovation. This finding has not been corrected and has been reported above.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM
AUDIT

None

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CASEY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 1998

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>Cash Programs</u>		
<u>U.S. Department of Housing and Urban Development</u>		
Passed-Through State Department of Local Government:		
Community Development Block Grant-		
Windsor/Rocky Ford Water Expansion Project (CFDA #14.228) (Note 3)	B-95-DC-21- 0001 (010)	\$ 450,186
Disaster Recovery Initiative (CFDA #14.unknown)	MAO19447	<u>2,844</u>
Total U.S. Department of Housing and Urban Development		<u>\$ 453,030</u>
<u>U.S. Federal Emergency Management Agency</u>		
Passed-Through State Department of Military Affairs:		
Disaster and Emergency Assistance Grants-		
Coordinator Salary		
(CFDA #83.503)	Not Available	\$ 999
1995 Severe Weather (CFDA #83.516)	FEMA-1055-DR- KY #045-00000	76,643
1997 Severe Weather (CFDA #83.516)	FEMA-1163-DR- KY #045-00000	21,793
Snow Removal (CFDA #83.516)	FEMA-1207-DR- KY #045-00000	<u>38,500</u>
Total U.S. Federal Emergency Management Agency		<u>\$ 137,935</u>
Total Cash Expenditures of Federal Awards		<u><u>\$ 590,965</u></u>

See the accompanying notes to the schedule of expenditures of federal wards.

CASEY COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 1998

Note 1 - Basis of Presentation

This schedule is presented on a cash basis.

Note 2 – The federal expenditures for Community Development Block Grant-Windsor/Rocky Ford Water Expansion Project include the grant to the following subrecipient:

<u>Subrecipient</u>	<u>Number</u>	<u>Pass-through Grant Amount</u>
East Casey County Water District	B-95-DC-21- 0001(010)	\$450,186

Note 3 – During fiscal year ended June 30, 1998, the county disbursed \$450,186 of Community Development Block Grant funds to the East Casey County Water District, a subrecipient of the county's federal financial assistance. These funds were monitored by the county and an audit was performed on East Casey County Water District for year ended December 31, 1998 in accordance with OMB Circular A-133 by England and Hensley, CPAs, in March 1999.

**CERTIFICATION OF COMPLIANCE – LOCAL
GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

CASEY COUNTY FISCAL COURT

Fiscal Year Ended June 30, 1998


Appendix A

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
CASEY COUNTY FISCAL COURT

The Casey County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



David H. Johnson
County Judge/Executive



Tony M. Price
County Treasurer

EAST CASEY COUNTY WATER DISTRICT
AUDITED FINANCIAL STATEMENTS

CASEY COUNTY FISCAL COURT

Fiscal Year Ended June 30, 1998

